



August 3, 2007

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Marlene Dortch  
Secretary  
Federal Communications Commission  
445 12th Street, SW  
Washington, DC 20554

Re: *Petition for Forbearance and Waiver by Iowa Telecommunications Services, Inc.*, WC Docket No. 05-337

Dear Ms. Dortch:

Iowa Telecommunications Services, Inc. ("Iowa Telecom") filed the above-referenced Petition for Forbearance pending at the Federal Communications Commission ("Commission") May 8, 2006. Iowa Telecom provides this letter as a response to the belated initial filing of Mediacom Communications Corporation ("Mediacom"), received by the Commission on June 4, 2007 ("Mediacom Ex Parte Filing"), nearly a full year after initial and reply comments were filed. This letter also addresses issues discussed by Sprint Nextel Corporation in its July 23, 2007 ex parte notice ("Sprint Ex Parte Filing").

The vast majority of points raised by Mediacom are a rehash of arguments previously made by the National Association of Consumer Advocates and Sprint Nextel, all of which were discussed in Iowa Telecom's Reply Comments filed July 18, 2006. The remainder of Mediacom's Ex Parte Filing focuses on irrelevancies, many of which are based on incorrect facts, at least some of which should have been known to Mediacom at the time of its filing.

Perhaps the most important misstated fact is Mediacom's claim that Iowa Telecom is preventing it from entering Iowa markets. This response appears to be further litigation posturing, rather than one based on facts. Iowa Telecom has interconnection agreements with 37 competitive local exchange carriers in Iowa and is serving all of them in accordance with the law. Iowa Telecom does not have the same degree of rhetoric or real-world issues with these other competitors as it does with Mediacom. Perhaps this is due to the fact that Mediacom's entry has been predicated on a unique and controversial business arrangement with Sprint Communications, L.P. ("Sprint"), a subsidiary of Sprint Nextel Corporation.<sup>1</sup> The details of Iowa Telecom's disputes with Sprint as adjudicated by the Iowa Utilities

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<sup>1</sup> Iowa Telecom Reply Comments at 24-26.

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Board (“IUB”), including the order attached to Mediacom’s Ex Parte Filing, are currently the subject of two federal district court proceedings.<sup>2</sup>

Setting aside the fact that it is legitimate for Iowa Telecom to ensure that interconnection law is followed correctly, Mediacom gets the facts wrong. Despite Mediacom’s claim (as of the May 31, 2007 date of its letter) that “we [Mediacom] still have not been able to initiate service in Iowa Telecom’s territory,”<sup>3</sup> Iowa Telecom has been porting customers to Sprint on behalf of Mediacom since early May and continues to do so.

Mediacom also mischaracterizes the IUB complaint proceedings involving Iowa Telecom. In each of the proceedings to which Mediacom refers, the IUB either sided with Iowa Telecom or the complaint was dismissed or withdrawn.<sup>4</sup>

Mediacom also makes a number of inchoate arguments concerning two cases in which the IUB exonerated Iowa Telecom of predatory pricing allegations.<sup>5</sup> In both cases, the IUB found Iowa Telecom’s pricing in the relevant highly-competitive exchanges<sup>6</sup> to be a reasonable, lawful, and pro-competitive response to competitors’ offerings.<sup>7</sup> Nothing in the IUB’s analysis or in arguments made by Iowa Telecom

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<sup>2</sup> Iowa Telecommunications Services Inc. v. Iowa Utilities Board et al., Case No. 4:07-cv-00032 (S.D. Ia.); Iowa Telecommunications Services Inc. v. Iowa Utilities Board et al., Case No. 4:06-cv-00291 (S.D. Ia.). Mediacom also fails to mention that the IUB initially found that Sprint did not have a right to seek interconnection with Iowa Telecom, therefore supporting Iowa Telecom’s position, before reversing its decision several months later.

<sup>3</sup> Mediacom Ex Parte Filing at 5.

<sup>4</sup> The order attached to Mediacom’s Ex Parte is the sole exception to this and, as discussed above, is on appeal.

<sup>5</sup> Mediacom Ex Parte Filing at 4.

<sup>6</sup> In four of the five exchanges at issue in the two proceedings, Iowa Telecom’s competitor held an overwhelming majority of market share, with the fifth exchange being relatively evenly split.

<sup>7</sup> In so doing, the IUB appropriately recognized, as has antitrust jurisprudence and scholarship, that there are many circumstances, such as Iowa Telecom’s in the relevant cases, in which it is rational for a firm to charge a price that increases contribution to common cost, but still does not exceed fully-distributed cost. The IUB also rejected the claim made by TCA, and repeated

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in those proceedings argues against the merits of Iowa Telecom's forbearance and waiver requests pending before the Commission.

Finally, Mediacom asserts that Iowa Telecom already collects \$2.00 per month from its customers for the purpose of building out broadband.<sup>8</sup> This simply is not the case.<sup>9</sup> As part of the IUB rate settlement discussed in Iowa Telecom's Petition (and the ultimate outcome of the 2002 rate proceeding referenced by Mediacom),<sup>10</sup> Iowa Telecom was required to forego seeking to impose such \$2.00 charges.

Sprint makes the broad argument that Iowa Telecom does not deserve high-cost universal service funding because it pays dividends to its public shareholders, should simply raise local rates to fund construction, and the USF cannot tolerate any increases. Sprint is simply wrong. As more fully detailed in its Comments and Replies in this proceeding, Iowa Telecom's rural customers should be put in the same position as those in other rural areas of Iowa and the nation. In fact, the Commission has been looking for ways to ensure that the telecommunications network is as robust in rural areas as in urban areas of the country. Iowa Telecom cannot be expected to do that in the near term without USF support. Contrary to the suggestion of Sprint, the level of Iowa Telecom's dividends does not demonstrate an ability to fund significant additional investment internally, but instead, reflects capital market conditions for publicly-traded mid-sized carriers such as Iowa Telecom. In addition, Iowa Telecom cannot raise local rates any further than it already has because it is subject to price caps in Iowa. Iowa's local rates are near to the national average urban rates. Finally, Iowa Telecom's request would only affect the fund by a minimal amount, and much less than Sprint's current receipts. Therefore, Sprint's arguments should be summarily rejected.

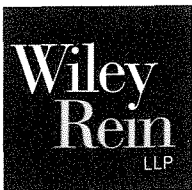
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by Mediacom in its ex parte, that Iowa Telecom was improperly cross-subsidizing its operations in highly-competitive exchanges with revenue from less competitive exchanges.

<sup>8</sup> Mediacom Ex Parte Filing at 3.

<sup>9</sup> Even if Mediacom's claim were true, it would not refute Iowa Telecom's argument that it is unreasonable to expect Iowa Telecom's end users to bear *additional* costs of broadband buildout.

<sup>10</sup> See Mediacom Ex Parte Filing at 3.



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In light of these considerations, Iowa Telecom respectfully requests that the Commission lend no credence to any of the claims made in either Mediacom's or Sprint's Ex Parte Filing.

Sincerely,

/s/ Mimi Weyforth Dawson

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